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Secure and Flexible Retirement Planning

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Approved by the Senate:

Not Approved by the Senate:

Approved by the President:

Not Approved by the President:

Secure and Flexible Retirement Planning

Submitted by: Jim Braselton

8/18/2006

Motion:

I request that the Faculty Senate ask that the President to request that the Chancellor and BOR ask the Legislature to initiate a bill (or law(s)) that allows faculty a one time opportunity to switch retirement plans after. In the event that the faculty member switches from the ORP to State Teachers, the faculty member is allowed to buy out the actual number of years employed.

Rationale:

Currently, faculty are given a one time opportunity when they begin their employment to choose between State Teachers (ST) (defined benefit) and Optional Retirement Plan (ORP) (immediate vestment; not defined benefit). Although I do not have the data to support this, I am certain that almost all new faculty choose the ORP as they are not tenured. However, once they are tenured and middle-aged, the equation changes: they are likely to be employees until retirement. With the ORP, a faculty member will not retire until the funds in the ORP account are what the faculty member deems to be needed for retirement. So, a sudden decline in the economy (real estate, bonds, stock markets) when a faculty member hits 65, might cause a considerable decrease in the value of their ORP account and, consequently, the faculty member might choose to work several more years. ST is a defined benefit plan. So, for example, if the economy

turned sour, the State could save money by changing laws and offering early retirement to faculty in ST.

That is, it might be less expensive for the State if faculty member A is in ST and retires at 55 than if faculty member A is in ORP and retires at 70 or 75.

Giving faculty the opportunity to switch from ST to ORP or to ORP to ST a second time could have beneficial financial ramifications for both the faculty member and the State. This might be especially important as we see life span increase: one of my friends finally retired at the age of 75. He was a full professor. The sum of three assistant professors would have been less than his salary.

Note that I have made the assumption that long term faculty typically make more than incoming faculty, which may not be true in all departments because of salary compression.

Response:

The SEC will be drafting a substitute motion asking the Senate to consult other University system campuses about their desires in allowing faculty to change retirement systems. A unified approach to the BOR and legislature would most likely have a better chance for success.

The substitute motion drafted by Godfrey Gibbison and Clara Krug is as follows:
The Faculty Senate requests that the Chair of the Senate Executive Committee:

1. Contact officers of the Faculty Senate at other University System of Georgia institutions to determine the level of interest of faculty at these institutions who are enrolled in the Optional Retirement Plan (ORP) in converting to the Teachers' Retirement System (TRS) and
2. Contact legislators John Burns, Jack Hill, Bob Lane, and Butch Parrish to inquire about the feasibility of such a one-time conversion from the ORP to the TRS.
Rationale: The more institutions joining in on the request, the better the chance of something positive happening. The one-time conversion possibility also (luckily?) mirrors a resolution drafted by the Faculty Benefits Committee at UGA which is being considered by the UGA University Council Executive Committee for inclusion at the October 4 meeting